

# BRAZILIAN WAVE

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THE BRAZILIAN FOCUSED MARKET REPORT



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## WHERE WILL THE RATES BE IN 2013?

This is the one million dollar question, actually maybe hundreds of millions. The most experienced know that there is no crystal ball, no magic, no "back to the future" movie scene enabling an accurate prediction about where both spot and term rates for OSVs will be in the years to come. But we can surely consider and not deny some market indications to drive the investments and decisions from both owners and charterers. A proper analysis may start with a look at how the local market behaved this year.

The year of 2012 is now sprinting to an end, with most of the plans for this year already decided or implemented, and people are already looking forward to next year. Maybe still early days to talk about 2013 but not in Brazil. Petrobras has already issued most of the tenders for this year and shall complete the outstanding chartering processes until December. More than 20 vessels in total are expected to have a charter confirmed in the PSV 1500, 3000 and 4500 categories. The main tenders that will either be issued or are still open are the AHTS 18000 ROV and AHTS 15000 TO.

Although some owners have pushed the rates (or at least tried to) for a higher level, the Petrobras fixing level has not demonstrated much appreciation when compared to previous fixtures. The national oil company has been able to fix according to their budgeted rates. This has happened as competition has become tighter with a wide selection of vessels from different owners offered, however this can also be attributed to the wide delivery window that provides opportunities for competitive far eastern newbuilding tonnage.

As for the AHTS, the larger vessels in 18000 and 21000 categories should benefit with a rate increase, due its technical peculiarities (Petrobras specific requirements) and the lack of supply in the market. The PSV term rates are expected to appreciate modestly, but not sufficiently to justify a steep line in the graph despite the fear of higher Brazilian operating costs that have been spread over by some owners that claim to have had a bad experience.

As for the IOCs, all remaining OSV requirements with startup in 2012 are practically closed. Karoon, Vanco, Anadarko, Perenco, Repsol, Statoil and Shell have either already carried out its exploratory drilling campaigns or are fixing as this article is being written. For next year, Repsol



and Perenco have requirements for additional OSVs, which may be the case for Total as well. None of them are so far basing their demands on the spot market, due to its uncertainties and risks.

When it comes to the spot market, rates have not appreciated that much. We saw Sea Leopard busy with BP tightening the availability on the spot for only one AHTS earlier this year, the Maersk Provider. Sea Panther, Far Sabre and Maersk Handler had a brief try in the spot market earlier this year before they were committed either to drilling campaigns on term charters or going overseas. The PSVs Seabulk Angra, Seabulk Brasil and Milan Tide were kept busy in the spot but ended being snapped by IOCs and Petrobras on term contracts, leaving Far Swift and CBO Guanabara as the only PSV players for spot jobs now. Nonetheless we have seen PSVs (3,000 DWT) fixed at approximately USD 35,000 gross while AHTS (>15,000 BHP) are on average fixed in the mid USD 45,000 range, except for some isolated peaks which saw maximum 20% increases.

As the Brazilian spot market still does not follow the same practices as the most mature markets (North Sea, GoM, WAF), the rates have rarely been affected by the supply/demand imbalance i.e. we have not seen rates vary much regardless of competition status. This is due to the fact that most of spot requirements are not planned and happen due to unexpected demands or calculations of rig time savings, which does not represent a significant volume of fixtures. This may lead owners to offer reasonable rates in order to avoid the risk of being idle and bear the risk of high fixed costs (anchorage area, proportional importation duties, local crew, etc) and extensive paper work (exportation/importation of the vessel, clearance, visas, etc.). On the other hand, the charterer that finds itself with an unexpected and urgent demand may attempt all endeavors possible to overcome the issue either by a sublet (term charter rate) or postponement of the demand, if that is possible. So until we get to the point where charterers show commitment to develop and encourage a mature spot market on a level that they can count on, we don't expect drastic change in the spot rate levels for 2013.

## THIS MONTHS FIXTURES

DATE	VESSEL	TYPE	CLIENT	OWNER	PERIOD	DAY RATE
03 Sept 2012	MACAÉ	OSRV	KAROON	OCEANPACT	120 DAYS	RNR

## THIS MONTHS REQUIREMENTS

DATE	CLIENT	SCOPE OF WORK	PERIOD	COMMENCEMENT
15 Aug 2012	SAIPEM	1 X TUG/BARGE, PIPE TRANSPORT	7 MONTHS	01 Nov 2012
15 Aug 2012	SAIPEM	1 x RSV DUTIES	7 DAYS + 3 DAYS OPTIONS	20 Sept 2012
11 Sept 2012	SAIPEM	1 X TUGBOAT/BARGE, EQUIPMENT TRANSPORT	45 DAYS	15 Nov 2012
11 Sept 2012	PERENCO	A/H, SUPPLY DUTIES	5 MONTHS + OPTIONS	15 Feb 2013
17 Sept 2012	REPSOL	2 X AHTS, SUPPLY DUTIES	120 DAYS	15 Feb 2013

## VESSEL NEWS

**WESTSHORE** - Please check our website for constant on-line updates @ [www.westshore.com.br](http://www.westshore.com.br). We provide up-to-date news, always accurate and verified. In the website you can monitor AVAILABILITY, LATEST FIXTURES and OPEN REQUIREMENTS on a snapshot. Please get in touch with us (phones, names and pictures of us available on the website - you may want to skip the pictures though...) for clarifications and opportunities, we will be delighted to help.

**OCEANPACT** - Oceanpact (OP Navegação) have now concluded their third purchase of CBO tonnage, with CBO Magé joining formerly purchased CBO Maricá and CBO Macaé. The three vessels are now renamed Magé, Maricá and Macaé and strengthen the position of Oceanpact with their own fleet of Oil Spill Response Vessels.

**MAERSK** - Maersk Leader has now followed Maersk Lifter after a successful completion of her charter with Shell Brasil the vessel relocated back to North Sea. Maersk Leader will undergo modifications to return to Brasil for Petrobras.

**CBO/FUGRO** - CBO Campos previously fitted with a FUGRO ROV working as a RSV have now decommissioned the vehicle and docked. CBO Campos shall be employed as a PSV coming open after conclusion of its servicing.

**VARADA** - OSRV Varada Ibiza has arrived in Brazil to commence its 4+4 years contract with Petrobras. Varada Santos, Varada Ilhéus and Varada Maresias will be joining Varda Ibiza soon.

**AUGUSTA** - Asso 23 after having its flag changed back from Brazilian REB to Italy will depart Brazilian Waters.

**HORNBECK** - HOS Hope have departed from Brazil back to GoM after her successful charter with Petrobras.

**CBO** - CBO have baptized its newest vessel CBO Flamengo, which will enter her PSV contract with Petrobras.

**FARSTAD** - Farstad Shipping Far Swift have been trading on the spot market and being quite extensively used. After her spot contract with Shell Brasil the vessel have worked for Brasdril (Diamond Offshore) and is at moment of writing open for new work.

**CHQUEST** - Campos Commander have concluded her charter with Petrobras. The Brazilian flagged PSV 4500 is open in the market having worked for Shell Brasil for 7 days on a spot requirement. At moment of writing the vessel is open.

**DEEP SEA SUPPLY** - Deep Sea Supply will host the baptism of her new PSV Sea Brasil this month. The vessel is expected to start her employment with BP Brasil within October.



# 04 PETROBRAS TENDERS

UPDATE ON THIS MONTH'S OUTSTANDING TENDERS

## THIS MONTH'S MARKET SCREENINGS

Petrobras consulted the market for the availability of AHTS 15,000 TO. Some of the required specs are: minimum bollard pull of 130 tons, built as from 1997, free deck area of at least 518 sqm, DP1, oilrec class, 20 passengers, and winch static brake in the 1st layer of 290 t, line pull of 200 t and dynamic brake of 240 t.

<i>Date</i>	<i>Scope of Work</i>	<i>Period</i>	<i>Exp. Commencement Date</i>
August 20th 2012	AHTS 15000 TO, Supply Duties	4+4 years	June 2013

## THIS MONTH'S TENDERS CLASSIFICATION RESULTS

The tender issued in July for the vessel type PSV 1500, beginning in January 2013, had its classification results recently revealed. Seventeen vessels were offered and eleven vessels from Whitesea, Bumi Armada, Marnavi, Tidewater and Syriat Borcos were disqualified due to excessive price. The vessels listed below will participate now in the negotiation rounds with Petrobras.

<i>Vessel</i>	<i>Owner</i>	<i>Year Built</i>	<i>Day Rate (USD)</i>	<i>Mob Cost (USD)</i>	<i>PV (USD)</i>
HAKO FAITHFUL	GLOBAL WORKBOATS	2009	21 000,00	200 000,00	26 569 871,48
HAKO FORTRESS	GLOBAL WORKBOATS	2009	21 000,00	825 000,00	27 191 309,40
PRINCESS FATMA	GLOBAL OFFSHORE SERVICES	2010	21 700,00	900 000,00	28 144 915,66
VEGA CHALLENGER	VEGA OFFSHORE	2012	23 450,00	1 000 000,00	30 441 930,00
PFS BRAVE	VARADA MARINE AS	2009	23 450,00	1 000 000,00	30 441 930,00
VEGA CHASER	VEGA OFFSHORE	2012	23 950,00	1 000 000,00	31 069 811,23



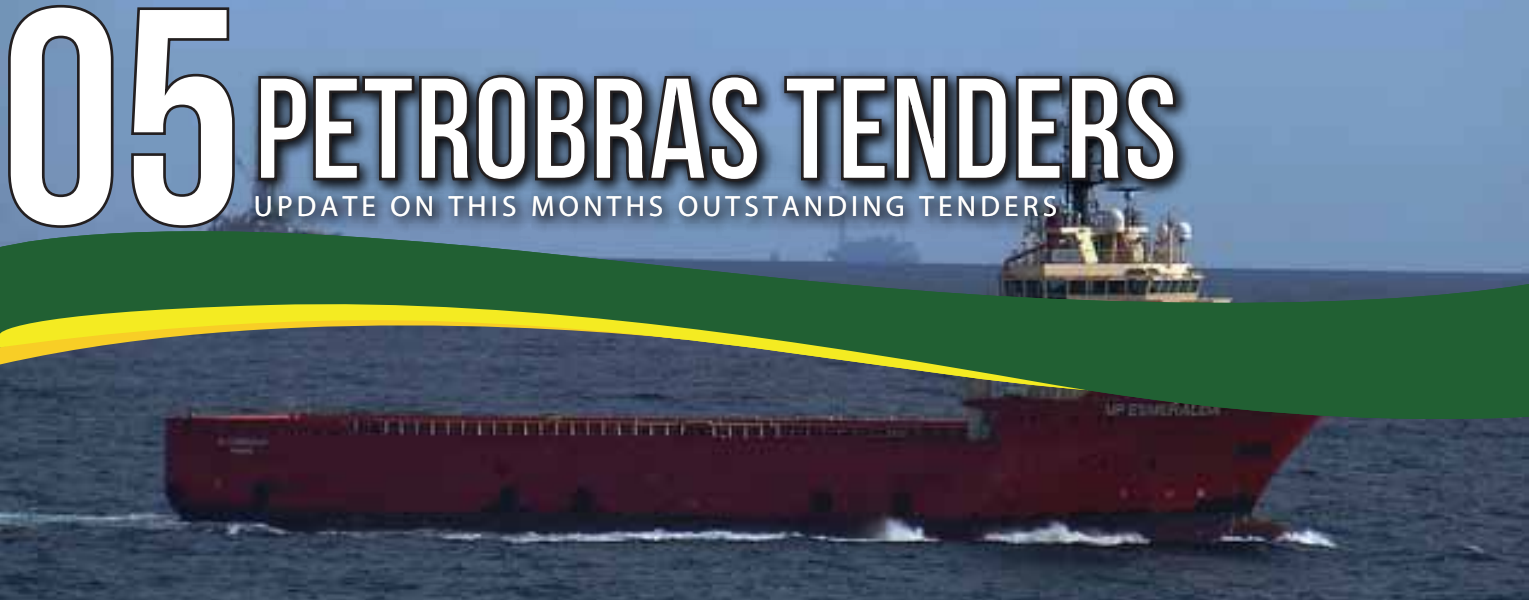
## THIS MONTH'S POSTPONED TENDER

Once more, Petrobras postponed the deadline for offers in the tender AHTS 18000 ROV, now to September 20th 2012. They issued the a new clarification document to the bidders in the first week of September, and the required AHTS should have at least 15,540 bhp, 177 TBP and be built as from 2000, and the ROV should have 250 bhp Work Class 3000m.

<i>Date</i>	<i>Scope of Work</i>	<i>Period</i>	<i>Exp. Commencement Date</i>
June 05th 2012	AHTS 18000 rov, Supply Duties	4+4 years	February 2013

# 05 PETROBRAS TENDERS

UPDATE ON THIS MONTHS OUTSTANDING TENDERS



## THIS MONTH'S OFFERS RECEIVED

The tender issued in July for the vessel type PSV 4500 for either General Cargo, Oil Carrier or Dry Bulk, beginning in January 2013 or Aug/Nov 2013 (type A or B, respectively), had its offers recently disclosed by Petrobras. Forty five vessels were offered for all types. The expectation is to have fewer vessels qualified when comparing to the recently published PSV 3000 tender results.

CATEGORY	OWNER	VESSEL	YOB	EBN	DAY RATE	MOB FEE	PV
Dry Bulk A	FARSTAD	FAR STAR	1999	FARSTAD	32 500,00	800 000,00	41 607 720,00
	BOURBON OFFSHORE	BOURBON TAMPEN	2002	BOURBON	40 500,00	2 400 000,00	53 244 700,63
	REM MARITIME	REM SUPPORTER	2012	BRASBUNKER	43 000,00	1 000 000,00	54 992 085,80
Dry Bulk B	SIEM	SIEM SUPPLIER	1999	SIEM	34 580,00	-	43 424 265,35
	HAVILA SHIPPING	HAVILA FAITH	1998	ACAMIN	34 995,00	-	43 945 406,76
	CMM	TBN GS12158	2013	INTERNATIONAL MARITIMA	34 200,00	2 000 000,00	44 935 676,96
	ASGAARD NAVEGACAO	FUJIAN MAWEI TBN MW619-44	2013	ASGAARD NAVEGAÇÃO	34 990,00	2 000 000,00	45 927 729,29
	CMM	TBN GS12160	2013	INTERNATIONAL MARITIMA	35 200,00	2 000 000,00	46 191 439,40
	BUMI ARMADA	ARMADA TUAH TBN-48	2012	BRASBUNKER	37 200,00	-	46 714 362,95
	ASGAARD NAVEGACAO	FUJIAN MAWEI TBN MW619-43	2013	ASGAARD NAVEGAÇÃO	35 990,00	2 000 000,00	47 183 491,73
	SEALION	TOISA SONATA	2009	SEALION BRASIL	37 525,00	1 800 000,00	48 912 226,95
	OFFSHORE ENERGY HOLDING	TBN MW619-41	2013	ACAMIN	48 268,00	-	60 613 141,69
General Cargo A	SOLSTAD	NORMAND CARRIER	1996	SOLSTAD	33 800,00	1 600 000,00	44 035 651,71
	DOF	SKANDI MARSTEIN	1996	NORSKAN	34 990,00	990 000,00	44 923 485,61
	SOLSTAD	NORMAND FLIPPER	2003	SOLSTAD	34 950,00	1 600 000,00	45 479 778,52
	SWIRE PACIFIC OFFSHORE	PACIFIC HORNBILL	2012	OSM	46 200,00	2 500 000,00	60 501 976,63
	SEACOR	SEACOR WARRIOR	2012	SEACOR OFFSHORE	56 000,00	1 300 000,00	71 615 287,79
General Cargo B	UP OFFSHORE	UP AMBER	2012	UP OFFSHORE	32 950,00	-	41 377 372,56
	UP OFFSHORE	UP PEARL	2012	UP OFFSHORE	32 950,00	-	41 377 372,56
	HOVLAND	SAYAN PRINCESS	2013	GEONAVEGAÇÃO	33 900,00	950 000,00	43 514 932,52
	DEEP SEA SUPPLY	TBN 2016	2012	DEEP SEA SUPPLY	34 250,00	900 000,00	43 904 734,34
	FARSTAD	FAR SUPPORTER	1996	FARSTAD	35 000,00	-	43 951 685,57
	DEEP SEA SUPPLY	TBN 2015	2012	DEEP SEA SUPPLY	34 350,00	900 000,00	44 030 310,59
	CMM	TBN GS12159	2013	INTERNATIONAL MARITIMA	34 200,00	2 000 000,00	44 935 676,96
	CMM	TBN GS12161	2013	INTERNATIONAL MARITIMA	35 200,00	2 000 000,00	46 191 439,40
	BUMI ARMADA	ARMADA TUAH TBN-47	2012	BRASBUNKER	37 200,00	-	46 714 362,95
	EMAS	LEWEK ANDES	2012	ASTROMARITIMA	39 990,00	1 000 000,00	51 212 240,84
	EMAS	LEWEK AQUARIUS	2012	ASTROMARITIMA	39 990,00	1 000 000,00	51 212 240,84
	GREATSHIP	GREATSHIP MANISHA	2010	BRASBUNKER	39 290,00	2 280 000,00	51 605 911,99
	OFFSHORE ENERGY HOLDING	TBN MW619-40	2013	ACAMIN	48 268,00	-	60 613 141,69
Oil Carrier A	UP OFFSHORE	UP ESMERALDA	2005	UP OFFSHORE	31 950,00	-	40 121 610,12
	UP OFFSHORE	UP SAFIRA	2005	UP OFFSHORE	31 950,00	-	40 121 610,12
	SEALION	TOISA INVINCIBLE	1998	SEALION	36 625,00	1 250 000,00	47 235 175,38
	TIDEWATER	RUSSEL TIDE	1999	MARE ALTA	36 000,00	2 160 000,00	47 355 137,46
	CHOUEST	TBN 220	2012	BRAM OFFSHORE	38 722,00	-	48 625 633,39
	VESTLAND	VESTLAND CETUS	2012	GEONAVEGAÇÃO	37 990,00	2 250 000,00	49 943 591,79
Oil Carrier B	DEEP SEA SUPPLY	TBN 2019	2012	DEEP SEA	33 000,00	900 000,00	42 335 031,29
	DEEP SEA SUPPLY	TBN 2020	2012	DEEP SEA	33 000,00	900 000,00	42 335 031,29
	DEEP SEA SUPPLY	TBN 2021	2012	DEEP SEA	33 000,00	900 000,00	42 335 031,29
	TAG OFFSHORE	FUJIAN MAWEI TBN MW619-39	2012	BRASBUNKER	34 300,00	2 050 000,00	45 110 968,23
	CHOUEST	TBN 224	2013	BRAM OFFSHORE	38 722,00	-	48 625 633,39
	CHOUEST	TBN 223	2013	BRAM OFFSHORE	38 722,00	-	48 625 633,39
	VESTLAND	VESTLAND MISTRAL	2012	GEONAVEGAÇÃO	37 990,00	2 250 000,00	49 943 591,79
	TIDEWATER	FELTON TIDE	2012	MARE ALTA	39 999,00	2 399 940,00	52 615 503,98
	OFFSHORE ENERGY HOLDING	TBN MW619-42	2013	ACAMIN	48 268,00	-	60 613 141,69

# 06 OPERATOR UPDATE

## RECENT DEVELOPMENTS FROM BRAZIL'S OIL & GAS COMPANIES

### SHELL TO INCREASE BRAZILIAN PRODUCTION

Shell Brasil have this month closed the tender for OSVs that will be operating with the Noble Max Smith semi-sub unit from Noble Corp. The rig is expected in Brazil towards December this year and in Q1 expected to start drilling in Bijupirá & Salema where FPSO Fluminense is moored. The drilling campaign is aimed at drilling further wells and increasing the production to Shell's first FPSO in country. The rig is further expected to be relocated towards Q4 2013 to Santos Basin, subject internal alignment. In the meantime, Shell continue with their campaign in BC-10 with the Drillship Bully 2, also Noble Corp. Shell Brasil is therefore keeping the heat for 2013 with their 2 FPSOs in production and with 2 drill rigs in full use after some oil!

### BG GROUP STRENGTHENING ITS PRESENCE IN BRAZIL

The BG Group is steadily growing its presence in Brazil as the country reserves become of greater interest to the worldwide leader in natural gas. Last July the BG Group and its partners have approved the signature of over USD 4.5 Billion investment in eight FPSOs to be employed in Santos basin, Tupi and Guará fields. Further, the BG Group has confirmed the construction of its brand new Research & Development center in Brazil, Rio de Janeiro. The exact investment has not been disclosed, however sources confirm the center will become BG Group's largest in the world with BG Group increasing its activity in Brazil to a level that will find no pair against its other activities around the globe. In 2011 BG Group issued material reserves and resources upgrade doubling its previous best estimate of 3 billion boe. BG Group current aggregate range of total reserves and resources net to BG Group accounts from 4 billion boe (P90) to 8 billion boe (P10).

### NEW OIL DISCOVERIES IN CARCARÁ, FRANCO AND SERGIPE WARM UP THE MARKET

A drilling in the Carcará block, located in the pre-salt in Santos basin and operated by Petrobras (with shares of Galp, Queiroz Galvão and Barra Energia), confirmed a column with a thickness greater than 400 meters of light oil reservoirs, which are "continuous and connected". Queiroz Galvão's share prices increased close to 10% almost immediately after the announcement was made. Petrobras also announced a new oil discovery of "good quality" in the fourth well drilled in the pre-salt layer in Santos Basin. The well, known as Franco SW, reaches depths of 2,024 meters and the oil column of so far 295 meters. At last but not least, the Petrobras drilling of a well located 85 km away from Aracaju (northeast of Brazil) confirmed the presence of oil and gas in BM-Seal-10 block, in a column of 300 meters located about 5,000 meters from the surface.

### STATOIL GETS CLOSER TO PETROBRAS

Amid expectations regarding the definition of a regulatory framework for the exploration of oil in pre-salt layer, Statoil, which purchased the Peregrino platform in the Campos Basin has been meeting with Petrobras representatives in order to assess the possibility of operating pre-salt wells and to prepare the company with technical information. They wish to expand operations in Brazil, which now accounts for 5% of Statoil's production (15 million barrels/day). So far, Peregrino is the largest international operation of the company.

### CHEVRON KEEPS STRUGGLING TO OPERATE AGAIN

Chevron has again appealed the sanction prohibiting both the company and Transocean of operating in Brazil while still on trial for the civil and criminal lawsuits over the oil spill in November last year, while it is also actively seeking to restart production at the Frade field. However the Superior Court of Justice (STJ) maintained the decision that ordered the suspension of all activities of oil extraction and transportation of Chevron and Transocean for a period of 30 days, under penalty of a daily fine of BRL 500 million. It also requires both companies to adopt procedures to implement the plan of abandonment of the well. ANP has already fined Chevron in BRL 35.2 million for all the 25 irregularities found after the accident.

### THE EXPECTATION FOR PETROBRAS' PRE-SALT PRODUCTION

The director of exploration and production (E&P) of Petrobras, José Miranda Formigli, recently said that by 2020, 28% of the company's production will come from the pre-salt areas, with the production of 4.2 million barrels of oil per day. Today, the share of these reserves is 7%, the equivalent of 2 million barrels of oil per day.

### 11TH BIDDING ROUND TO HAPPEN SOON?

The director of ANP Helder Queiroz recently said that he expects the federal government to define the date of the 11th round of bidding for exploration blocks within 2012. According to Queiroz, ANP has no more time to conduct the bidding this year, but if the date is set soon, it may happen in the first half of 2013. Longed by the oil companies, this round will auction 174 blocks in the North and Northeast regions (87 offshore and 87 onshore).



**OSX and Mendes Júnior / FPSOs Modules** - OSX and Mendes Junior have signed a contract for the construction of the topside and integration of two units of the FPSOs Replicants P-67 and P-70, for exploration in the Santos Basin. The companies have entered into an agreement with a pool formed by Petrobras, BG Group, and Petrogal Brasil and the project is expected to create approximately 30,000 direct jobs, lasting for 60 months. The contract also includes the installation of ten modules manufactured by other companies and integrating them in the hull of the two FPSOs: P-67 and P-70.

**Galvão and Odfjell / 3 Drillships** - Galvão Group created a joint venture with Norway's Odfjell to build and charter three drillships for Petrobras. The Odfjell Galvão (50% share of each group) will be responsible for operating the rigs during 15-year contracts, plus options of another five years. The contracts (construction+chartering) have a total value of USD 12 billion and were signed with Petrobras and Sete Brasil (80%) and Galvão Odfjell (20%). The vessels cost about USD 1 billion each and will be built at Jurong Aracruz Shipyard. The first unit is expected to be delivered in 48 months. The rigs are capable of penetrating depths of about 12,000 meters.

**Aker / Riser Joints** - A business unit of Aker Solutions, Drilling Riser, delivered 116 riser joints to Sevan Drilling. The equipment will be used in the new cylindrical drilling platform that will perform the pre-salt exploration in the Campos Basin. Added to the BOP, riser joints constitute a system of vital importance for ensuring the safety of the well, as they control the vertical pressure. Each joint weighs about 27 tons and measures 23m in length.

**Petrobras / Platform on Fire** - The platform Cidade de Itajaí, to be chartered to Petrobras, caught on fire on August 30th during sea trials in Singapore. The platform, which has production capacity of 80,000 barrels per day, is owned by a 50/50 joint venture between Odebrecht and Teekay Petrojarl. Despite the incident, there were no victims, nor environmental impacts. The start-up will happen in October and there are no indications that this would delay the schedule.

**Petrobras / 21 Rigs** - Petrobras has signed nine contracts to complete the order of 21 rigs with Sete Brasil, Odebrecht and Etesco that will be used in the drilling of exploration in the pre-salt Santos basin. The vessels will be built in Brazil and after construction the rigs will be chartered for 15 years. Six rigs will be built in the Enseada Paraguaçu Shipyard, in Bahia. Four will be operated by Odebrecht and two by Etesco. The other three drill ships will be built in the Rio Grande 2 Shipyard, in Rio Grande do Sul, all to be operated by Etesco. The units will be delivered from 2016 and onwards.

**IESA / 24 Modules** - Iesa Óleo e Gás (Inepar Group) signed contracts for supplying 24 compression modules for six platforms, with options to supply eight more modules for the other two pre-salt "replicants". The USD 720 million order will be executed at Charqueadas plant in Rio Grande do Sul, which the company is constructing with an investment of BRL 100 million on 350 square meters of land and 19,000 square meters of built area. The modules will be used for gas compression, gas injection and CO2 wells to increase oil production and exportation.

**Petrobras / FPSO Cidade de Anchieta** - Fairmount Glacier and Fairmount Summit have delivered FPSO Cidade de Anchieta to the Baleia Azul field. Petrobras has revealed that the first oil production from this field in the Espírito Santo Basin started on September 10th, after being delayed for one month. The company has also said that the first oil in the Baúna & Piracaba area is expected for October 2012. Baleia Azul oil is expected to flow at a rate of 100,000 bpd and 3.5 million m3 of gas per day and Baúna & Piracaba at 80,000 bpd.

**Repsol Sinopec / Ocean Rig Mylos** - Ocean Rig announced that it has signed a three-year charter contract with Repsol Sinopec for its drillship Ocean Rig Mylos, a seventh generation drillship and the first of three to be built by Samsung Heavy Industries in South Korea for Ocean Rig. The contract gives Ocean Rig a revenue backlog of approximately USD 700 million and it is expected to be drilling offshore Brazil. Repsol's contract will include an option to extend the contract period for up to two years beyond the original term.

# 08 LOOK AHEAD

## WHAT'S UPCOMING OVER THE NEXT FEW MONTHS

### GLOBAL HUMAN RESOURCES BENEFITING LOCAL SOLUTIONS

When one takes a closer look into the Brazilian economy, especially in the areas of information technology, oil and gas and heavy construction, and adds up the impacts of the external crisis and the demand for skilled labor, it becomes clear that Brazil is back to being one of the main destinations of global immigration. In the first half of this year compared to the same period last year, the number of work visas issued grew by 24%. The increase was 26% in 2011 compared to 2010, which in turn had already surpassed the previous year by 30.51%. The growth in permanent permits is also a noteworthy figure showing a 106.77% increase from 2011 to 2012, a massive difference from the 17.75% increase in temporary visas during that same period. This growth pattern is expected to firmly continue at minimum for over a decade. The United States, Germany, England, Argentina and Colombia appear to be the countries that send the greatest majority of professionals to Brazil, with the southeast region the area that receives the greatest number of immigrants.

Some market specialists believe that the importation of foreign manpower brings new experiences to the Brazilian labor market, since it is still considered somehow immature in several areas. Nonetheless, as we already know, the importation of both human capital and foreign equipment for the oil sector should not exceed a certain percentage, in order to avoid damages to the Brazilian labor market and penalties. Moreover, the number of Brazilians working abroad is decreasing. They are returning home nowadays, actively searching for jobs in promising fields. So how can a balance be achieved between the two scenarios without a burden being placed on both the country's economy and the local workers?



Given the increase in number of immigrants and local business demand for skilled labor, the government is organizing itself to issue visas more efficiently to foreign professionals. Approximately 5% to 20% of Brazilian companies and multinationals have recruited their staff overseas. The

government has created a special research group, headed by the Secretary of Strategic Affairs linked to the Presidency, in order to gather information and analyze immigration. The team consists of lawyers, economists, sociologists and a demographer, as well as institutions like the University of São Paulo, Fundação Getúlio Vargas and Institute of Applied Economic Research (IPEA).

While it is clear that the government foresees the need for foreign workers in Brazil, the oil and gas sector leads most of their analysis: 17,638 visas were granted in 2011 to workers operating in vessels or platforms, against 15,206 in 2010, an increase of 16%. Filipinos, British, American and Indian are the first in line. Norwegians, Polish and Dutch come later, followed by Russians, Danes and Spaniards.

A high proportion of foreign workers with a bachelor's degree demonstrates the qualification of the workforce coming to seek job opportunities in Brazil, entering as "technology transfer". This number rose from 8,811 in 2010 to 9,977 in 2011 (plus 13.4%). In turn, the number of masters and doctors nearly quadrupled - rising from 10 to 39. Even though the labor laws and immigration in Brazil are quite rigorous and the country is still seen as underdeveloped and violent by some, the interest of foreigners to work in Brazil will keep growing.

The lack of technical expertise to work in prospection and management on the oil and gas platforms makes the entire Brazilian coast a destination for overseas workers, attracted by a standard pay which is significant when compared to other countries that are facing crises. Luckily, the natural protection of local human capital, which tries to benefit younger generations who are graduating and entering the labor market, does not involve any kind of xenophobia in Brazil. A significant and growing presence of professionals of diverse nationalities causes platforms to become environments where cultures, experiences, languages and customs positively mingle. Worried about a possible "invasion" of foreigners in the platforms of the Santos Basin, the union Sindipetro warned that 80% of workers who are on the 18 platforms operating in Santos Basin are not from the region and that some platforms already have more than 60% foreign workers, mostly Filipinos, Americans and Dutch. Unfortunately, instead of complying with the law, some companies seek shortcuts, like for example the disbursement of tourist visas, or no permissions at all.

Brazil, which used to be called "the country of the future" a couple of decades ago, can now be considered the country of the present, since the opportunities are here now, and everything the government and the companies need to do is to try and harmonize each other's goals as soon as possible, in order to prevent a regression in the long run. The growth needs to be sustainable with no closed doors, since self-sufficiency has never been effective especially when high technology and competencies are taken into consideration.





This Spotlight focuses on Great Offshore Limited (GOL)

Please tell us a little bit about Great Offshore history, profile and activities in Brazil.



Great Offshore Limited (GOL) is in the business of providing services to the Exploration & Production endeavors in India since 1983-84. The Company provides an entire gamut of services to upstream companies to carry out offshore Exploration and Production (E&P) activities. From drilling services to marine and air logistics; from marine construction to port / terminal services and beyond, GOL has capability to cater almost all of the Offshore Services requirements.

GOL currently owns and operates a fleet of 42 offshore assets, which includes 2 drilling rigs, 2 accommodation cum hook-up barge, 1 Heavy Load Carrier, 24 Offshore Support Vessels (10 Anchor Handling Tug-cum-Supply Vessels, 4 Anchor Handling Tugs, 6 Platform Supply Vessels, 2 Fire Fighting-cum-Safety Vessels, 1 Multi Support Vessel and 1 Work Boat), 1 Floating Dry Dock and 12 Harbour Tugs. We are one of the very few companies to achieve international accreditation. We are certified member of the International Marine Contractors Association (IMCA), and registered member of First Point Assessment (FPAL).

GOL has progressively enhanced its technical and operational capability, built a strong and diverse asset base to provide entire gamut of offshore oil field services and have expanded its reach to other geographies as well. GOL now services markets in Russian Federation, South East Asia, Middle East, Turkey, South Africa, West Africa, North Sea and Trinidad apart from having a strong foothold in India.

It gives us immense pleasure to mention that recently we have commenced a 4 years plus 4 years contract each for our two vessels - 150T BP AHTSV Malaviya Nine and 3000T dwt PSV Malaviya Twenty Nine with Petrobras. With these contracts GOL has marked its presence in Brazil. We are also monitoring all future requirements from Petrobras which we can cater with our current flotilla. Brazil has great potential for future E & P activities and has attracted almost all the International players in the region.

**What does Great Offshore considers as essential for an owner that wants to operate outside its domestic market i.e. to become a global operator?**

We believe commitment to provide quality offshore support services, continuous HSE & Q enhancement, high level of preparedness to handle emergencies and most importantly strong professional and technically qualified work force to

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# SPOTLIGHT ON GREAT OFFSHORE

INTERVIEW WITH SUPPLIERS AND MAJOR PLAYERS IN THE BRAZILIAN MARKET



oversee the smooth and efficient operations of the offshore assets are essential over and above having the suitable vessels to meet the requirements globally. We have modern and technologically advanced newbuilds to be delivered to us in next few years which we are looking at to deploy in emerging markets like Brazil.

**Having two vessels presently operating in Brazil, what does Great Offshore see as the main challenges when it comes to cultural barriers?**

Offshore industry worldwide is of similar nature and follows internationally defined rules and regulations. However there are certain mandatory laws, local regulations and contents in every country that an international player has to abide by and respect while operating there. Brazil is no different. Tie ups with the local company and broker has helped us a lot to understand Brazilian market and overcome challenges like language, local rules, HSE requirements, Charterer's defined protocol, compliance with the Brazilian Navy, local content, ANP regulations, etc. and we do not foresee any major issues on these counts.

**Great Offshore is known for its concern and focus on crew and its constant training. How does Great Offshore intend to make use of that profile in order to succeed in the Brazilian market?**

GOL is a professionally run company with highly qualified, experienced and dynamic group of professionals, committed to excellence in customer care through safe, effective and efficient services. We have our own vessel simulator for vessel personnel at our registered office in Mumbai for providing training and firsthand experience. This Simulator has been extensively used to familiarize, train, assess and upgrade the maneuvering skills of our sea going staff. The scope of simulation based training include an integrated DP Simulator, an Anchor Handling module, Tug handling simulator and Crane Simulators that mimic our existing cranes on Rigs and Construction Barges.

By employing such trained sea going staff on the vessels operating in Brazil, the company foresee improved operational efficiency, less LTIs, incident records and near miss situations. Also it will help in skillful maneuvering of vessels in extremely close proximity to hazardous oil platform installations and drilling rigs in deeper and harsher waters of Brazilian offshore.



# 11 INSIDE STORY

A LOOK AT SOME OF THE ISSUES



## Brazilian Shipping Company

**Offshore support owners are often caught arguing the benefits of establishing partnerships or choosing to build up their own local structure in Brazil. The Inside Story this month will dig a little further into this topic to present some realities about the Brazilian market.**

The Brazilian legislation demands that any shipping activity in the country can only be performed by an established Brazilian Shipping Company (BSC). Therefore it is not possible to charter vessels if the owner is not a registered shipping company licensed under the Brazilian legal environment. This is likewise applicable to foreign tonnage, which on top of the BSC demand, must comply with ANTAQ regulations for charter authorization, the so called Processo de Circularização. Such a process ends up with the issuance of a limited Certificate of Authorization of Charter (CAA).

When global players decide to charter tonnage into the Brazilian offshore market, a setup must be ready upfront in regards to the BSC: will a partnership be established with an existing BSC or will the owner develop its own structure in the country to be registered as a BSC? The question is which option should be preferred? It would seem better to establish a fully owned subsidiary, where the local office would mirror the company culture. However when starting with a limited number of vessels this option is not economically viable, unless carried at a corporate level. If the first vessels would need to carry these costs in their rates, chances are they would not be offered competitively. But even if "money is not the problem (!)", one must be aware that the Brazilian business environment is not as simple as desired and its characteristics will only be absorbed with time and at some cost to the incumbent owner. If the strategy is to establish a sustainable business for the first vessels and further to learn from and be protected by those who have already endured the experience and who have absorbed the initial hits through their learning curve, the sensible solution is at first to join forces with an existing BSC.

The vast majority of owners, who currently have their own setup, have at some point in time operated through a local partner BSC. Further, there are cases where owners with several ships operating in the region have remained with their local partners, instead of creating their own individual local structure.

The challenge lies on how to deal with a multi-faced organization. It is natural that in a setup where the owner operates through a BSC that an interface has to be managed. In some cases a third partner is added, for instance a crewing or ship management company is contracted independently by the owner. The reality is that some companies (owners and BSC jointly as partners) will manage their business well in such circumstances and others won't. The discussion around local representation has become notorious in the last 12 months, as the number of newly arrived organizations has increased, and with them the number of contracts managed through such partner BSC setup. Individually, the new contracts simply represent an increased number; however combined, it means that each BSC grew its representation base not only in number of vessels but also with multiple owners being represented, and managing such business growth brings an additional challenge to the BSCs. Again, some will manage this well, others won't.

If the interfaces are not managed properly, the effects will inevitably be felt by the charterer. And some charterers in connection with setup issues have mentioned as a last resource to revisit their procurement strategy in detriment of owners operating through partners. Such discussion often comes to light during, for instance, incident investigations where mismanagement of business interfaces have cooperated with or caused an incident. For sure the existence of business interfaces increases the risk exposure, but it does not necessarily mean that such exposure cannot be adequately managed or that the absence of a shared structure eliminates all risk.

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A LOOK AT SOME OF THE ISSUES



On top of all of that, some owners endorse the view that only well-established own organizations should be invited to present offers in a competitive bid, with owners who do not count with their local shipping companies being left marginal in the contracting process. In as much as that has fundament on the elimination of some risk exposure, it also conflicts with the reality of many who are or have been operating via a local partner. And in principle there is nothing wrong with establishing partnerships.

Radical positions often drive processes away from a balanced solution. And in this case arguing against the partner BSC setup or more radically defending the elimination of the possibility to offer for those who do not have their own local organization goes against a free trading market and a legitimate procurement process where entry barriers will exist, but not artificially created. Having said that, all parties must always respect charterers' rights to establish an evaluation model where own presence and experience in the local market will have its weight on the evaluation process, which might eliminate incumbents provided a competitive offer is presented by an established owner who attends the charterer demands. But when the partner BSC model has been accepted, it becomes the charterer's and owners/BSC interest to resolve any arising issues. Re-considering the business model does not solve problems.

Overall, the model where Brazilian Shipping Companies co-exist and become a door opener to the Brazilian market has a lot to add. The market also tends to gain with competition and conflict. The incumbent of today may become the largest player or even the best partner of tomorrow.

“ Re-considering the business model does not solve problems. ”

by **Alexandre Vilela**  
Marine Advisor



## A WORD WITH WESTSHORE



**Daniel Del Rio**  
Managing Director

“The year may now sprint to an end, so time to start looking ahead for business expectations.”



# 13 É ISSO AÍ!

## FINAL THOUGHTS FOR THIS MONTH


Westshore do Brasil is a subsidiary of Westshore Shipbrokers and was established in 2010. Our office is located down town Rio de Janeiro and it emerged seeking to be part of the increasing expansion of the offshore industry. We believe that we are part of this ongoing development.

After our success in Rio de Janeiro with Westshore do Brasil and due to the development in the northern areas, this month "Westshore Shipbrokers" started activities in St. Johns – Canada in pursuit of "even more" in the expanding offshore industry.

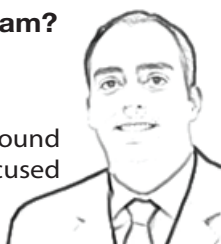
Westshore do Brasil now operates in all aspects of the offshore vessel market around the globe and provides a complete and professional shipbroking of chartering, sales & purchase, Market Intelligence and Marine Advisory to the global offshore vessel supply industry.

This month, Westshore do Brasil is completing 2 years in Brazil due to our qualified and competent Brazilian team combined with a very strong and healthy relationship with vessel owners. We are the brokers who have an opinion to offer to our clients.


### Do you know who each one of our team?




Eliana Lazarini manages the finance and business interfaces of Westshore do Brasil and all post-fixture support.




Daniel Del Rio has today the largest brokerage background amongst the Brazilian offshore shipbrokers. He is focused on long term business/requirements.




Paula Quirino is a shipbroker working on helping develop the spot market in Brazil.



Alex Vilela is a Marine Advisor focused on marine consultancy and technical assistance to the Oil Companies and vessel owners.



Vilma Fernandes is the secretary of the office and is responsible for administrative activities.



Wilson Nobre is learning petroleum engineering and provides all support that may be needed in the office.

The idea of creating a magazine named "Brazilian Wave" appeared soon after the inauguration of the office in Rio and focused on the offshore industry and emerged from the need to provide the major discussion topics within in the industry to our clients and partners.

The "Brazilian Wave" magazine is monthly edition, the magazine is written by the team of Westshore do Brasil is revised and formatted at Westshore Norway. The "Brazilian Wave" magazine has hundreds access it every month. Some articles of the magazine have been quoted or commented in other magazines in the shipping market and many articles are mentioned very positively, which is a matter of great pride for us and motivation to continue the effort to bring relevant objects of discussion to our readers.

On September 2012, the "Brazilian Wave" magazine is completing one year of existence and the Westshore team wants to celebrate this happy moment with you and it is our pleasure to say Happy Birthday to us!!